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C O N F I D E N T I A L ALMATY 003296

SIPDIS

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TAGS: [ENRG](#) [EPET](#) [IN](#) [KZ](#) [ECONOMIC](#)

SUBJECT: KAZAKHSTAN OFFICIAL OUTLINES DISPOSITION OF
PETROKAZAKHSTAN ASSETS

REF: A. ALMATY 3075

[B](#). ALMATY 3143

Classified By: POEC CHIEF DEBORAH MENNUTI REASONS 1.4(B) and (D)

[1](#)1. (C) Summary: A well-placed source in the state-owned oil company, KazMunaiGas (KMG), recently told Econoff that KMG would exercise its pre-emptive rights to purchase parts of PetroKazakhstan (PK) once the Canadian company's sale to the PetroChina was approved by PK shareholders (reftels). According to this plan, KMG would purchase the Shymkent refinery and PK's share of the Kazgermunai joint-venture (JV); LUKOIL would end up with PK's North Kumkol field; and the Chinese CNPC-SINOPEC JV would retain PK's biggest producer, the South Kumkol field. End Summary.

[1](#)2. (C) In a September 8 meeting with Econoff, Sabr S. Yessimbekov (strictly protect), Executive Director of the Transportation Infrastructure division of KMG, outlined his expectations of the ultimate disposition of PetroKazakhstan's (PK) assets. Yessimbekov indicated that, once PK's sale to "PetroChina" was approved by shareholders in mid-October, the GOK would use its pre-emptive rights to purchase parts of PK, notably the Shymkent refinery. The Chinese, he noted, had asked that the refinery be owned in thirds by KMG, CNPC, and SINOPEC, but KMG "would take it all."

[1](#)3. (C) KMG would also take over PK's interest in the "Kazgermunai" fields, previously a 50-percent PK joint venture (JV) with Germany's RWE-DEA AG (25%), Erdol-Erdgas Gommern (17.5%) and the International Finance Corporation (7.5%). (Note: A western oilman who looked at Kazgermunai said the field is "a gem" and could operate at about 60-70,000 bpd, up from its present 46,000. End Note) LUKOIL would purchase its PK partner's 50% share in the JV "Turgai Petroleum." Finally, CNPC and SINOPEC would keep PK's biggest producer, the South Kumkol field, previously wholly-owned by the Canadian company.

[1](#)4. (C) Yessimbekov predicted that there would be no public announcement of the planned KMG purchase of PK assets until after PK shareholders had voted on the sale of the company to PetroChina. The announcement might be delayed further after that, while KMG "negotiated the details with the Chinese." (Note: The biggest detail, presumably, would be price. On September 12 Interfax-Kazakhstan quoted an unnamed high government official as suggesting that "(buying) even a small block of shares in PetroKazakhstan would mean us having to mobilize considerable funds quickly, otherwise we'd have to seek significant price concessions from CNPC based on mutual strategic cooperation." End Note.)

[1](#)5. (C) Comment: This division of PK's assets would make sense, given the actors' economic interests and past politics. Many analysts believe that LUKOIL cooperated with the GOK in launching legal actions against PK to soften the latter's stock price for takeover; Turgai Petroleum's North Kumkol field would be the logical payoff. KMG would get PK's refinery, which the GOK has reportedly long regretted selling. The Chinese, of course, would be left with PK's biggest producer, the South Kumkol field, conveniently located near the Atasu-Alashankou pipeline. End Comment.

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